

FISCAL IMPACT STATEMENT ON BILL NO. **S.509**

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TO: The Honorable David Thomas, Chairman, Senate Banking and Insurance Committee  
FROM: Office of State Budget, Budget and Control Board  
ANALYSTS: Kenneth Brown, Beth Campbell  
DATE: April 2, 2007 SBD: 2007210

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AUTHOR: Senator Malloy PRIMARY CODE CITE: 38-90-20  
SUBJECT: Captive Insurance Companies - Workers Compensation

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

\$0 (No additional expenditures or savings are expected)

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**BILL SUMMARY:**

The Bill provides that an employer who may self-fund workers' compensation coverage is authorized the write workers' compensation coverage directly through a captive insurance company and authorizes a captive insurance company, which may pay directly compensation, the ability to write workers' compensation insurance.

**EXPLANATION OF IMPACT:**

Department of Insurance

The Department indicates this Bill would require additional General Funds of the State totaling \$108,500.

Costs would cover salary and fringe \$58,500 of a Rates and Forms Analyst to specialize in workers compensation and casualty insurance and \$50,000 to contract out other actuarial work, such as review of actuarial aspect of the annual/quarterly statements and requests to change the business plan of the captive.

Workers' Compensation Commission

There are currently 168 captive insurance companies regulated by the Department of Insurance. If a small number of the captives apply to insure their workers' compensation claims (between 10-12), the Commission will be able to absorb the additional workload and cost. If a larger number of captives apply (more than 12), then the Commission would need one new FTE for an Accountant/Fiscal Analyst at an annual cost to the General Fund of \$78,000 for salary, fringe and other operating expenses. There would also be a non-recurring cost to the General Fund of \$5,000 for startup expenses.

**SPECIAL NOTES:**

The Workers' Compensation Commission indicates this Bill may have an impact on the tax on workers' compensation self-insurers. The Board of Economic Advisors is the appropriate entity to address any revenue impact associated with this Bill.

Approved by:



Harry Bell  
Assistant Director, Office of State Budget